

State Water Infrastructure Authority

Meeting Date: December 12, 2018

Agenda Item J – Substantial Change in Funding Amount, City of Shelby Biosolids Management Project

Division of Water Infrastructure Staff Report

Applications that have been determined as eligible to receive funding by the Authority are increasingly changing scope and escalating in costs during planning and design. At the December 2017 Authority meeting, the Division discussed with the Authority the need to review a project to determine whether it is still consistent with the application originally determined to be eligible.

Example situations include:

- Substantial scope changes that may or may not match the original purpose and need of the application;
- Substantial increases in funding that impact availability of future rounds; and
- Changes in funding program or type to meet project needs.

The City of Shelby received funding for improvements to their WWTP including rehabilitation of their compost facility in 2012, before the Authority was created. This project was bid in 2014 with the compost facility improvement portion receiving a low bid of \$3,292,918 which was over budget. The City elected to remove this portion of the project and reapply for funding in September 2014 as a separate application.

The City applied for \$3,947,952 in funding and was subsequently determined to be eligible for funding by the Authority in December 2014. This project was bid in July 2015 and again bids received were over the budgeted amount. The low bid for construction was \$4,117,000. As a result, the City decided to redesign the project to better meet their long-term needs by moving from a compost facility to an anaerobic digestion facility. The Division approved an increase in the existing loan in July 2016 to provide a total of \$10,500,000 in funding.

The revised project was bid in November 2017 and received bids that were significantly higher than the project budget. The low bid for the revised project construction was \$15,871,706. The City decided to perform value engineering and rebid in an attempt to bring down project costs. The project was rebid in November 2018 and a low bid of \$18,007,000 was received. The contractor is currently holding the existing low bid until the middle of December.

The City has contacted the Division requesting a loan increase for a total of \$19,837,400 in funding. The requested increase in funding will impact the availability of funding in the current application round due to the high demand and low availability of funding.

The Division is currently reviewing additional information provided by the City and will present this information and any staff recommendations.